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SUBJECT: OPPOSITION ECONOMIC SPOKESMAN: WE'RE WATCHING CLOSELY

1. (SBU) Summary. The Popular Party's (PP) Economic Spokesman in Parliament Arias told us his party is watching closely the development of the Socialist economic policy, which he characterized as a work in progress. He described both sides of the political aisle in Spain as strongly in favor of a successful Doha Round, though he expected more anxiety for Spain on cotton. Arias found the Socialist government's decision to abstain on recent biotech votes as encouraging, having anticipated a complete reversal of support on biotechnology. Arias lamented the excellent shape in which the PP had left the economy, predicting the economic foibles of the new government wouldn't catch up them for at least two years. End Summary.

2. (SBU) In a brief June 2 meeting, PP Economic Spokesman in Parliament (and former Minister of Agriculture and Fisheries) Miguel Arias Canetes told us he is watching the formation of the government's new economic policy closely and plans to be very active in his role as opposition economic spokesman. Of particular concern is the budget, and how the Socialist government will implement its many electoral promises while maintaining promised fiscal discipline. "We'll be watching closely" said Arias. He encouraged us to reach out to him with any issues of concern regarding legislation in his committee. He predicted the Zapatero government would become less strident in its "Europe vs. the US" rhetoric after June 13 European Parliament elections.

3. (SBU) Arias described the excellent shape in which the Aznar government had left the economy as a gift to the Zapatero government. He predicted the Socialists would have at least 18 months to two years of strong economic growth before any possible economic repercussions of new policies would begin to take effect. If the economy then started taking a turn for the worse, he predicted the government would call early elections to ensure they stayed in power for another term.

4. (U) Arias predicted that Spain would continue its "helpful and supportive" role within the EU pressing to conclude the Doha Development Round negotiations. He took encouragement from Commissioner Lamy's letter supporting the elimination of agriculture subsidies, predicting the Spanish agriculture community would go along with whatever was decided without too much noise and difficulty. He predicted the most serious area of concern for Spanish farmers would be cotton.

5. (SBU) To our surprise, Arias took encouragement from the recent Spanish abstention votes on biotech events in EU bodies. Arias had anticipated the Zapatero government would be ardently anti-biotech. Arias interpreted the abstentions as a sign that the professional staff of the Agriculture Ministry was exerting an positive influence. Spanish farmers were very pro-biotech. The professional staff at other relevant ministries -- Environment and Health -- were also generally pro-biotech. If the Ministers relied on their staffs, he predicted the Zapatero government would continue to support biotech, if not as pro-actively as the Aznar government.

6. (SBU) Comment: Arias had an air of resignation about him, clearing getting used to his small Parliamentarian's office and new opposition role. We found his comments on biotech to be encouraging, recognizing that the Spanish interagency process has not yet met to decide a formal stance. The appointment on Friday of Jose Ignacio Arranz as the head of the Spanish Food Safety Agency is also an encouraging development. We have worked closely with Arranz on biotech over the past several years and found him to be generally pro-biotech.

ARGYROS